

Execution of memorandum of understanding regarding potential acquisition by PKP CARGO S.A. of 100% of shares in Advanced World Transport B.V.

Current report No. 56/2014 dated 2 September 2014

General legal basis (selected in ESPI):

Art. 56(1)(1) of the Public Offering Act – confidential information

The Management Board of PKP CARGO S.A. (the “Company”) hereby informs of the execution, on 1 September 2014, of a memorandum of understanding (the “MoU”) with all the shareholders (the “Potential Sellers”) of Advanced World Transport B.V. with its registered office in Amsterdam (“AWT”) regarding the Company’s potential acquisition of 100% of shares in AWT (the “Potential Transaction”), which allows the Company to commence negotiations concerning the binding terms and conditions of the agreements related to the Potential Transaction.

The MoU authorises the Company to conduct a due diligence (the “Due Diligence”) of AWT and its subsidiaries (the “AWT Group”) which will commence no earlier than on 5 September 2014.

Under the MoU, the Company was granted exclusivity for the conduct of negotiations with the Potential Sellers regarding the Potential Transaction for the period of no more than 10 weeks from the date of the commencement of the Due Diligence (the “Exclusivity Period”).

The MoU defines the principal terms on which the parties intend to close the Potential Transaction, with the proviso that the parties agreed to exercise duly diligent efforts to agree and execute the definitive agreements regarding the Potential Transaction within the Exclusivity Period.

The Potential Transaction is an element of the implementation of the Company’s strategy assuming the Company’s expansion on the markets of Central and Eastern Europe.

The AWT Group is one of the largest private service companies operating in the rail freight transport market in Europe with 8% share in the rail freight market in the Czech Republic in terms of freight turnover in 2013. Additionally, the AWT Group renders services in Slovakia, Slovenia, Hungary, Poland, Germany, Rumania, Bulgaria and Croatia. In 2013, the AWT Group transported 12 million tons of freight, had freight turnover of 2,719 million gross tkm and generated sales of EUR 282 million.

With the staff of approximately 2,000 the AWT Group renders complex services mostly to large industrial plants in Central and Eastern Europe. The AWT Group specialises in transporting heavy and bulk loads, including coal, steel and vehicle parts.

The AWT Group manages a rolling stock comprising approximately 160 locomotives and 5,100 wagons. In the Czech Republic, the AWT Group has a continuously growing intermodal transport terminal of Ostrava-Paskov and services approximately 60 railway sidings for some of the largest industrial plants in the Czech Republic.

Legal basis:

Art. 56(1)(1) Act of 29 July 2005 on public offering and terms of introducing financial instruments to organized trading, and on public companies (Journal of Laws of 2013, item 1382).